



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2017 Biennium

Bill #	SB0141	Title:	Repeal termination of reemployment provision for certain retired TRS members
Primary Sponsor:	Jones, Lew	Status:	As Introduced

Retirement Systems Affected: ☒ Teachers ☐ Public Employees ☐ Highway Patrol ☐ Police
☐ Sheriffs ☐ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
☒ Has the cost of this legislation been calculated by the system's actuary?
☐ Does this legislation include full funding for any benefit revisions?

	July 1, 2014 Current System	July 1, 2014 With Changes	Increase/ (Decrease)
Dollar Amounts In Thousands			
Present Value of Actuarial Accrued Liability	\$5,191,069	\$5,191,069	\$0
Present Value of Actuarial Assets	\$3,397,436	\$3,397,436	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,793,633	\$1,793,633	\$0
Amortization Period (years) of UAAL	28.00	28.00	0.00
Change in normal costs	0.00%	0.00%	0.00%

	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016	FY 2018 July 1, 2017	FY 2019 July 1, 2018
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	8.57%	8.67%	8.77%	8.87%	8.97%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%

FISCAL SUMMARY

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other - TRS Pension Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other - TRS Pension Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact: SB 141 permanently removes the sunset date on 19-20-732, MCA, which allows certain Teachers' Retirement System (TRS) retirees with 30 or more years of service to be reemployed on a full-time basis by a school district without the loss or interruption of TRS benefits.

FISCAL ANALYSIS**Assumptions:**

1. Subject to the following restrictions, certain TRS retirees would be eligible to be reemployed on a full time basis by a school district without loss or interruption of their TRS retirement benefits.
 - a. The member has been separated from service for two months.
 - b. The member completed 30 or more years of service before retirement.
 - c. The position was advertised and the employer certifies to the TRS Board that they were unable to fill the position with a qualified non-retired teacher, specialist or administrator, or the employer has not received an acceptance of and offer of employment from a non-retired teacher, specialist or administrator to fill the position. The position must be advertised in each subsequent year with the same restrictions.
 - d. TRS will continue to receive, from the employer, the combined contribution rates required under 19-20-602, 19-20-604, 19-20-605, 19-20-607, 19-20-608 and 19-20-609, MCA on retirees working under this provision (currently 19.21% of earned compensation).
 - e. Retirees working under this provision will not make employee contributions to the system and they are not entitled to any increase to their benefits due to service or salary while working under this proposal.
 - f. The maximum number of years a retiree could be reemployed in a full-time position under this provision is three years during their lifetime.
2. Return to work provisions can impact the financial cost of a defined benefit retirement plan by enticing employees to retire sooner than they otherwise would. However, the current assumed retirement rates are based on the retirement experience study conducted for the five year period ending July 1, 2013 which included analysis of 2,600 retirements, of which 12 were impacted by the provisions of 19-20-732, MCA. This represents less than 0.50% of the total retirements studied during the period.
3. Since the reemployment provision provided for in SB 141 was already included in the development of the retirement rates, removing the sunset provision will have no actuarial impact on TRS.

4. The impact presented in the fiscal note assumes that this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.
5. All calculations are based on the July 1, 2014 actuarial valuation.
6. The actuarial valuations and experience studies are available on the TRS website:
<https://trs.mt.gov/TrsInfo/NewsAnnualReports>

Long-Term Impacts:

1. It is not possible to exactly determine future changes in member behavior that might occur due to this proposal.
2. TRS will continue providing a report on the implementation and results of 19-20-732, MCA, to the House and Senate State Administration Committees each legislative session. This will allow the legislature to continue to monitor the frequency of TRS retirees working under this provision.

Sponsor's Initials

Date

Budget Director's Initials

Date